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'VENDORS MUST ENTER INTO INTEGRITY PACT WITH MINISTRY OF DEFENCE'

BIG BOSS | central vigilance commissioner | pratyush sinha

interviewed by RASHME SEHGAL

His background as Assistant Secretary in the Ministry of Defence has come in handy for Central Vigilance Commissioner Pratyush Sinha, India's topmost anti-corruption officer, in scrutiny of defence deals. A 1969-batch IAS officer of the Bihar cadre, he was Secretary in the Ministry of Personnel, Public Grievances and Pension when he retired. His job as CVC requires him to interact closely with government personnel in scrutinizing the allegations against them. Sinha has a postgraduate degree in economics from the London School of Economics.

gfiles: *When N Vittal was CVC, he told the media there were lakhs of corruption cases pending against officers. How far was that correct?*

Pratyush Sinha: I don't know about this comment. The maximum number of corruption cases that we deal with relate to tenders, procurements and purchases. When I took over in 2006, we issued an order for the leveraging of procurements whereby all tenders have to be placed on the website. The National Information Centre developed an e-tender format and all the details of these transactions are now available for scrutiny on the web. We have also set up small bodies to monitor these transactions. But I must add that we deal with complaints relating to Central government officials. We have no jurisdiction over state governments.

gfiles: *Who makes complaints against this tendering process?*

PS: Contractors are the biggest source of information for us. NGOs also complain about malpractices in government departments.

gfiles: *In how many cases were you able to make a positive intervention?*

PS: We have been able to help in several cases. For example, we insisted that the NTC hold an open auction. But we do not interfere with the process of tendering so cases come to us on a post and not a pre basis.

gfiles: *How many cases do you deal with on an annual basis?*

→

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BIG BOSS

PS: In 2006, we received 10,598 cases. Of this, 4,555 of the charges were found to be not of a serious nature. Another 5007 charges were not of a verifiable nature. From this lot, 736 cases have been forwarded for further investigation. From the time we were set up, we have dealt with over a lakh cases. Apart from Central government officers, our jurisdiction extends over thousands of A-level officers in public sector units and also the public sector banks. We also provide vigilance clearance for all senior appointments. I personally look at 400 files a month. The numbers are only increasing.

'Many of our complainants are not careful about hiding their identity and will send their complaints to half-a-dozen government offices in which their names and other details are revealed'

PHOTOS: FOTOS4INDIA

gfiles: *You also play a recommendatory role for defence deals?*

PS: In the past, the CVC has given its recommendations to the Ministry of Defence. They do consult us during the process of procurement. But ever since we prepared a new set of guidelines for defence procurement, there have been no complaints. A major move that we have undertaken is to suggest that all public sector units and government ministries undertake the signing of an integrity pact whenever a major purchase has to be undertaken. The concept of an integrity pact was started in Germany. It involves the setting up of an independent body which will monitor all important deals. ONGC has already set up a three-member watchdog committee. A similar one has been set up by the Ministry of Defence. We are also insisting that the petroleum companies such as HPCL and the power companies such as NTPC set up similar watch dog committees. By doing so, we hope to ensure transparency in all purchases. This must be done through persuasion and not through force. The whole aim of this exercise is to set up a system of improvement rather than making improvement a one-time effort.

gfiles: *It was on your recommendation that the $600-m Eurocopter deal was cancelled.*

PS: The Ministry of Defence had some reservations about the deal. We agreed with them. I will not say there was something *mala fide* in what happened. Procedures were short-cut and certain parameters were not being fulfilled.

gfiles: *The CVC has had reservations about many defence deals. This is just one of them?*

PS: There are some allegations about middlemen and the need to have them banned. We believe that it is vital that defence deals do not get delayed unnecessarily. But because of the nature of these deals and the amounts involved, they attract a great deal of attention. It is for this reason that we have been stressing that we develop an institutional response to streamline these deals. We need to have a system in place which encourages competition. We have persuaded the Ministry of Defence to lay down clear-cut procurement procedures.

gfiles: *What are they?*

PS: They will have to ensure that all

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THE Supreme Court has no reason to be apologetic about what two of its esteemed judges recently described as "judicial activism". The history of the functioning of India's highest judicial body has mostly been one of restraint, fairness, and a strictly constructional view of the Constitution. In fact, if a popular poll were taken, it would most likely show that our citizens would actually applaud a pro-active and interventionist Supreme Court.

The Indian public has repeatedly opined that the three institutions it trusts the most are the Supreme Court, the Press, and the Army. Unfortunately, our civil services and politicians are way down on the totem pole. It is not hard to see why. Over the years, politicians of all hues have desecrated the once majestic standing of the civil service by making it the handmaiden for their own venality and unconstitutional conduct.

Part of the reason this has occurred is that the system of checks and balances and separation of powers which are the cornerstones of a Republican democracy does not operate here. Our whole political system is skewed towards Executive dictatorship: the Legislature, which is supposed to be a counter-balance to the power of the Executive, is not only a slavish parliamentary extension of the Executive, but also Ministers, who are legislators, head all Executive departments. The Executive performs judicial functions at the district level, participates in judicial appointments, and actually chooses the President.

In this scenario of Executive dictatorship, how then do you bring to account a legislator who flouts the laws of the land, a civil servant who helps break the law at the behest of a politician who controls his career, a business house that finances a ruling political group, a Chief Minister who uses the civil service to deprive citizens of their Constitutional rights?

Brave and conscientious civil servants whose duty it is to ensure the continuity of governance, and not of any particular government, often refuse to obey illegal orders or participate in unconstitutional conduct. But they face political vendettas. It is for this reason that ordinary citizens have resorted to PILs and sought the intervention of the courts. Without an element of activism by the courts, government accountability would be non-existent. It is largely because of interventions by the Supreme Court and High Courts that ruthless developers disfiguring the environment, vehicles polluting the atmosphere, criminals being protected by politicians, rogue policemen violating human rights, Chief Ministers running their states like private milch cows, VIPs violating civilian rights, have been brought to justice.

In the absence of serious Constitutional reform, our Supreme Court, far from being interventionist, has been a force that has helped to empower the common man to check the Executive from running amok.

INDERJIT BADHWAR
Editor-in-Chief

LETTERS Ramesh Menon perhaps failed to read the extensive coverage media gave to the Janadesh Yatra and provided nothing new in his article on rural India and land issues. The issues, like land reforms, he has raised are known to even the man on the street. His ignorance is also evident when he advocates redistributing surplus land on the line of Vinoba Bhave's Bhoodan movement which was a mega failure for different reasons. It is sad that *gfiles* chose to publish this article.
C Tulsi Das
Clinical psychologist, Varanasi

I find the cover story, 'Big Boss', always informative. In the December issue, Pronab Sen's replies were an intellectual's delight. But the methodology followed to generate figures has been under attack by the renowned statisticians of the country. The interview did not touch upon this.
Shanti Veer Kaul
Film producer and director, Delhi

When there is a boom in the stock market in the country, the man with savings is tempted to enter this market but without putting all his eggs in one basket. 'Stock Doctor' must not limit his recommendations to only one stock but mention at least three.
Hari Prasad Gupta, Indore

vendors enter into an integrity pact with the Ministry of Defence. This will in turn be overseen by an external group of eminent persons.

gfiles: *Who are the members of this group?*

PS: They include retired bureaucrats, including former Secretaries TR Prasad and PC Rawal. There are two areas where problems arise in defence purchases. The qualitative requirements of weapons need to be very scientifically defined in order to avoid a single vendor situation. These details need to be very comprehensively phrased so that competition is not restricted. Some of the complaints we receive allege that, during the user trials, the equipment was unfairly rejected.

My other recommendation has been that we associate experts from outside to test systems. At present, this remains an entirely in-house operation. My suggestion has been to involve retired military personnel or specialists in that field. If electronic equipment has to be tested, expert electronic engineers can be brought in to make the necessary assessments. The qualitative requirements of the hardware will remain confined to the defence forces. Such information will not be placed in the public domain. I have written a letter to the MoD outlining these suggestions.

gfiles: *What have you done to ensure that whistleblowers remain safe?*

PS: The entire system has been put in place. If we receive a complaint, the name of the complainant is immediately removed. A Joint Secretary in the Ministry of Home has been deputed to provide protection in case the whistleblower is apprehensive about his personal security. The problem with many of our complainants is that they are not careful about hiding their own identity and will send their complaints to half-a-dozen government offices in which their names and other details are revealed. We are constantly highlighting the need for whistleblowers to try and maintain the utmost secrecy about their own identity.

gfiles: *From the number of complaints you receive, how many actually lead to punishment?*

PS: I would say 25 per cent of the cases result in punishment. We have come to believe that wherever we witness serious misconduct, we need to look into the role of the supervisory officers. What were they doing when this gross misconduct was taking place? Responsibility needs to be fixed on them as well. We have expanded our ambit and are now looking at the system as a whole. We are studying the role of technology and computers to see how they can help us wipe out corruption.

gfiles: *You are overseeing areas such as excise and custom, utilities, infrastructure, police, and income tax. Do all these areas suffer from endemic corruption?*

PS: We have been insisting that all records in the customs and excise offices get computerized. The process is on and should be completed soon. It's a lengthy process that requires very sophisticated software. Also, the records go back several years. We have come to the conclusion that personal interaction between the government employee and the public should be kept to a minimum. So whether it is municipal corporations, or other government departments, we are trying to minimize areas which are corruption-prone. For example, conversion of leasehold into freehold, the giving of completion certificates when houses have been built, must all become computerized. All this requires the development of sophisticated software and it is all in the process of being devised.

gfiles: *What is being done to remove corruption in state governments?*

PS: Our jurisdiction is confined to the Central government and the Union Territories. The Department of Personnel is persuading state governments to set up independent vigilance commissions at the state level. The state governments are reluctant to do so. The previous Punjab government set up a state vigilance commission and the present government abolished it. If the Centre wants to pursue this at the state level, then it needs to enact a Central law. Fighting corruption is a complex process. It's a long legal process requiring intervention at various levels. But our effort has been to remain an accessible organization which can be contacted by people from all quarters. g

'The previous Punjab government set up a state vigilance commission and this government abolished it. If the Centre wants to pursue this at the state level, then it needs to enact a Central law'

MADE NOT IN HEAVEN BUT SOUTH BLOCK

Whimsy, paranoia and favouritism have often dictated the government's decisions on non-desi spouses

BY NIRANJAN DESAI

The late President Narayanan with his Burmese-born wife, Usha, and daughter

FOR nearly 40 years since the establishment of the Indian Foreign Service, the Government of India has been applying dubious rules to govern marriages of Indian diplomats. In the early years, women in the service had to resign if they intended to get married. Since at that time there was little awareness or sensitivity about issues of gender equality, everyone meekly accepted the rule.

Another rule was that no diplomat could marry a foreigner without permission of the government. However, officers belonging to other all-India services like the IAS, the police and the armed forces had no such restrictions.

One can only speculate about the origin and need for such a rule. Presumably, it was meant to protect young, innocent Indian diplomats venturing out into the wide world from falling into honey traps laid by evil foreign agencies. One justification for this lack of self-confidence was our suspicion of anything foreign following the long subjugation to colonial rule. Wags quipped that the real reason was an ingrained Brahmanical attitude that considered going abroad polluting! In practice, the application of the rule was not uniform. Some were lucky to get permission to marry foreigners, while others had to quit the service for love and marriage. There were a few cases where the issue was allowed to linger so that some of them had, for want of a better phrase, technically been living in sin. Some who had to quit were helped to get assignments with UN agencies. In my own case, I had to apply for permission to marry since my fiancée, though of Indian origin, was technically a foreigner since she was a British national.

No reasons were ever given for the ministry's negative rulings on applications for marriage to foreigners. It was, however, assumed that this had something to do with reports from IB and later RAW on the suitability or otherwise of the foreign spouse-to-be. The inputs for these intelligence agencies generally came from their counterpart services in the countries of origin of the spouses-to-be. In other words, the spouse had to be in the good books of his or her government to get a favourable report.

The story of arbitrary application of the rule got curiouser, when some agitated honourable members of Parliament complained against one of the foreign wives who, it is believed, was quite forthright and occasionally rude in criticizing Indians' bad habits. The ministry promptly decided to impose a ban on marriages of Indian diplomats with foreigners.

Shortly thereafter, a senior ambassador informally sounded out the ministry about his intention to marry a foreign national who was a very prominent theatre personality in her country. The ministry did not respond but gave a vague indication that permission would not be forthcoming without assigning any reason. It is believed that a Minister of State who earlier was a member of the Foreign Service categorically told the ambassador that they did not want foreigners in the service.

Faced with this situation, the ambassador informally consulted a High Court judge and a prominent constitutional lawyer. Both said the ministry's rule was bad in law and Constitutionally untenable. He informed the ministry of this and even sent a handwritten note to the then Prime Minister, Rajiv Gandhi. There was no response from the ministry.

Finally, he took the matter to court. There it came to light that the ministry had been operating this rule since 1947 without once seeking legal opinion from the Ministry of Law as required under Government of India rules of business. The court ruled that the Ministry was bound to give proper reasons in all cases where any application for marriage with a foreigner was denied.

The ministry had been operating this rule since 1947 without seeking legal opinion from the Ministry of Law as required under government rules of business

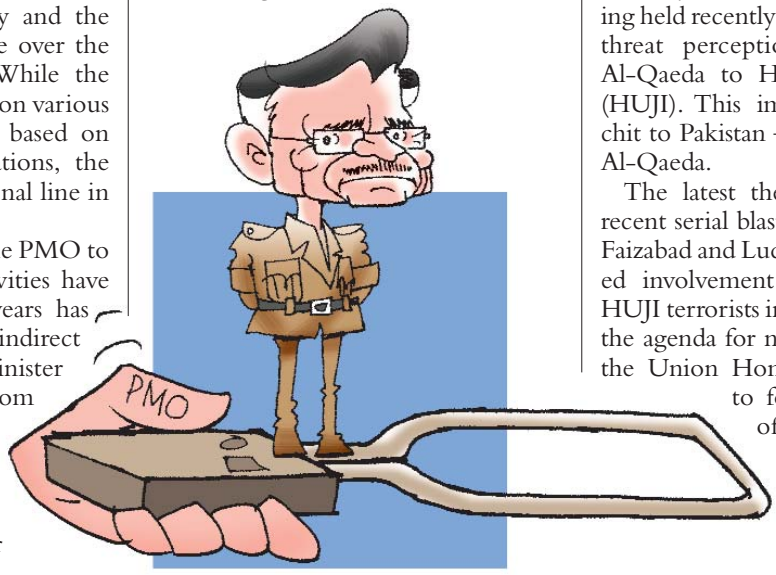
It now seems that there is no stringent bar on Indian diplomats of either gender marrying foreigners. Yet, the person who was responsible for effecting this change never got permission till he retired; and, to add insult to injury, he was harassed and denied promotion. It is strange how this rule was brought in and applied selectively when we had a President, a Prime Minister, and a Foreign Secretary with foreign wives. g

PMO at war with Patil
home ministry suffers

THERE is no love lost between the Union Home Ministry and the Prime Minister's Office over the issue of internal security. While the PMO takes policy decisions on various matters of national interest based on changing international relations, the Ministry pursues a professional line in matters of national security.

A recent statement from the PMO to the effect that terrorist activities have increased in the last two years has been widely construed as an indirect attack on Union Home Minister Shivraj Patil – a veteran from Maharashtra and one of the country's respected politicians. Strangely, the PMO has been trying to corner him ever since he took over the reins at North Block.

Till recently, Al-Qaeda was on the PMO's list. Statistics show that the Union Home Ministry performed well in checking its activities. Soon after the PMO indicated that dialogue with President Musharraf could be initiated, the situation changed. Toeing the line of the new policy tilt, the National Security Advisory Board – at its meeting held recently in Delhi – said that the threat perception has shifted from Al-Qaeda to Harkat ul-Jihad-i-Islam (HUJI). This implied giving a clean chit to Pakistan – the proven patron of Al-Qaeda.



The latest theory is based on the recent serial blasts in courts at Varanasi, Faizabad and Lucknow and the suspected involvement of Bangladesh-based HUJI terrorists in them. The NSAB sets the agenda for national security which the Union Home Ministry is bound to follow. And the efforts of Home Secretary Madhukar Gupta to deal a final blow to Al-Queda have all gone down the drain.

Sonia's cooked speeches
spoiled broth

THE "speech refinery" is the most powerful unofficial cell of the All-India Congress Committee. Its members are drawn from diverse fields – all owing personal allegiance to Congress president Sonia Gandhi. A few days prior to her addressing a public rally, the refinery swings into action.

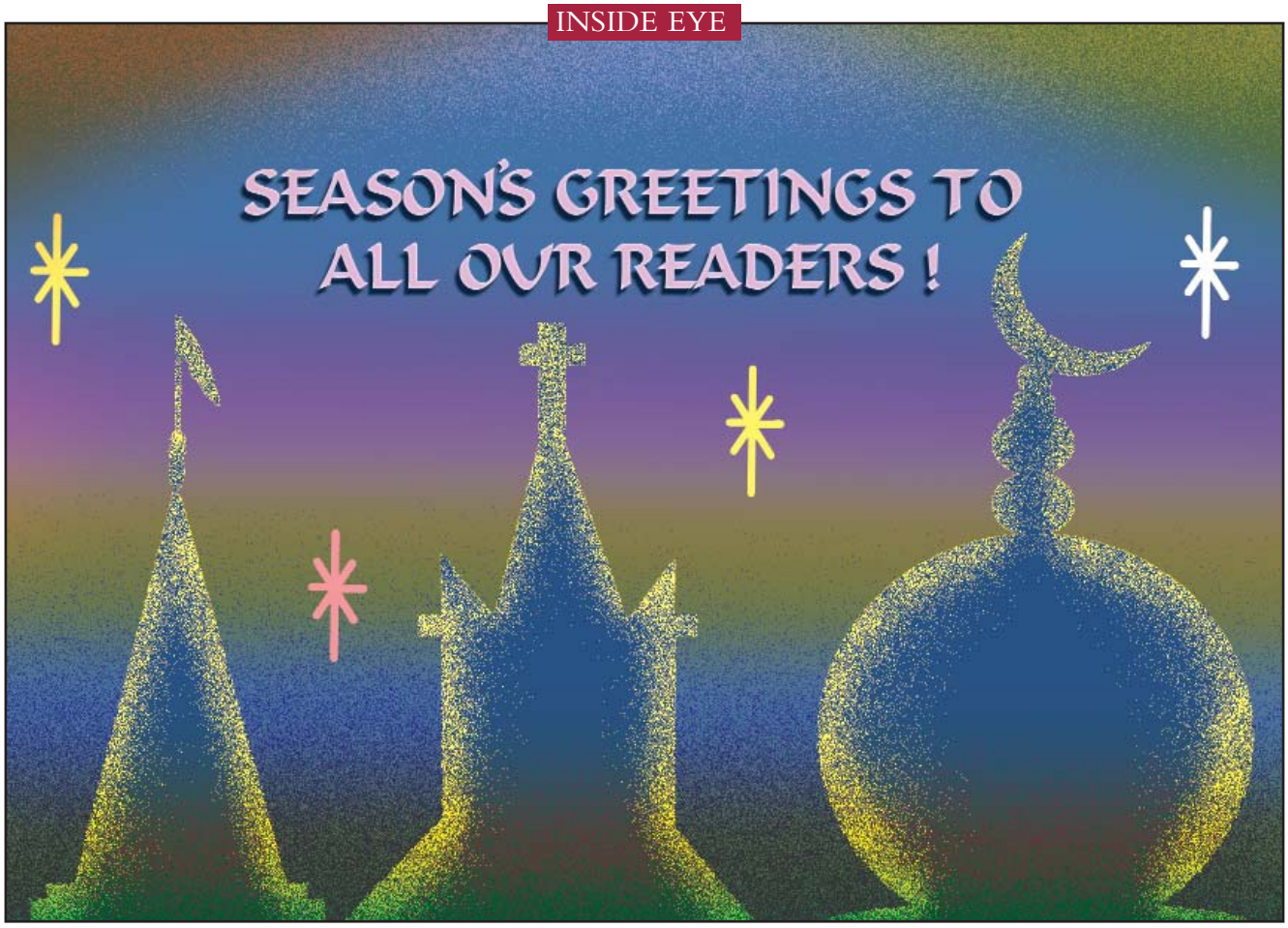
First, her speech is prepared by one of her low-profile and internet-savvy family friends, who identifies the issues, slogans and punch lines. This raw material is then passed on to a handful of armchair-critic intellectuals for polishing. The third and final stage involves its translation into Hindi by a party officebearer who is seen shunting between the Congress headquarters and madam's residence with sheafs of papers. These translators have already reaped rewards quite out of proportion to their struggle in political life.

The translated text is then typed in Roman and sent to the party chief and sometimes also to her children. With this distilled speech in hand, the Congress president sets out to address public rallies. The problem is that social equations and public mood are constantly changing and such a speech can be outdated. In the campaign for the Gujarat polls, these "refinery" products were used extensively but failed to hit home. And people are left recalling the campaigns of Indira Gandhi who never needed speech writers.

Lalu the professional
minister's new avatar

RAILWAYS Minister Lalu Prasad Yadav has adopted a more professional approach in appointing members of the all-powerful Railway Board. It seems the bitter lessons of the fodder scam have made him alter his style. Now he has one-to-one meetings with potential candidates, without any caste or regional bias. And, when middlemen and promoters of a particular candidate, however close to Lalu, try to influence him, he has a policy of "in from one ear and out from the other ear". It was the current Chairman of the board, KC Jena, who first got wind of Lalu's altered approach and kept meeting him directly to secure the post.

The posts of Member, Electrical and Member, Staff have been vacant for almost six months. A fierce battle has ensued for the former post, the more lucrative. There are three candidates with degrees in electrical engineering. None wants the second post as it concerns the personnel department. Sukhbir Singh, General Manager of North Eastern Railway, is the senior-



ILLUSTRATIONS: ARUNA

most. Having lost the chairmanship battle to Jena, he is now aspiring for this slot. However, his candidature is opposed by Jena. Narendra Kumar Goyal, GM of Eastern Railway, is also in the race. SS Khurana, GM, East Coast Railway, is the youngest.

One of the candidates has wisened up to the new Lalu recently and started meeting him directly. But the Minister is being open to all.

Judge for all seasons

justice jain's quiet crusades

VIRENDRA Kumar Jain, former acting Chief Justice of Delhi High Court, is acclaimed for ensuring just implementation of the demolition drive of the Municipal Corporation of Delhi (MCD) against unauthorized construction in the capital. The involvement of the engineering department staff in encouraging the unauthorized constructions and their nexus with the political bosses also stood exposed.

However, not many people know of his role in the success of the Delhi Metro project. It would have been delayed by at least a hundred years but for the judiciary, which refused to entertain thousands of petitions seeking a stay on acquisition of property coming in the way of the project.

After taking over as Chief Justice of the Punjab and Haryana High Court, Justice Jain expressed concern at the incidence of female foeticide in both states at a public function. The government has failed to check this social menace with the exception of some commendable attempts by a few District Collectors. Justice Jain pointed out that the theory of *Ardhnarishwar* in Indian mythology calls for male-female equality. He has perhaps indicated that the judiciary might intervene to wipe out this social problem. For, undoubtedly, the judiciary can achieve what the government cannot.g

Trickle-down accountability

Seven lessons, derived from hands-on experience in world governments

FORMER Malaysian Prime Minister Mahathir Mohammad had said, "The quality of an effective government administration cannot be lower than that of its clients—specifically the private sector." The world has moved away from the so-called Washington Consensus towards the so-called Barcelona Consensus. This has come as a result of an honest review of the development experience since World War II by the World Bank, International Monetary Fund and other major international players. Basically, they have concluded that their (and our) knowledge of economic growth is incomplete and offered a very different piece of advice from their lessons of experience. According to them, governments should abandon formulaic policymaking in which "any reform goes" and concentrate on supporting growth. To do so, they must identify the binding constraints to growth, which, in turn, necessitates recognizing country-specific characteristics and undertaking a more rigorous economic and institutional analysis than a formulaic approach would call for. After the endorsement of this viewpoint by the world's leading development economists in Barcelona, this view has come to be known as the Barcelona Consensus.

The Barcelona consensus puts the performance of a country's government at the heart of development. I will list seven key lessons of international experience in designing a performance-oriented government that is accountable for delivering results:

Lesson # 1

Accountability for results only trickles down and does not "trickle up". Thus, the design of the system should focus on holding the top accountable for performance and the rest will take care of itself. The Government Performance and Results Act passed by the US Congress in 1993 illustrates this point well. This Act required the President of the United States to sign a Performance Agreement with each of his Cabinet Secretaries. By holding the top accountable for results, the US President was able to let the accountability for results trickle down to all layers of the US bureaucracy.

Lesson # 2

The design for a performing government should focus on accountability for "results" and not accountability for "processes". Since many governments believe that it is difficult to measure results in the government, they find it convenient to specify procedures that will lead to the desired results. Unfortunately, procedures in government have a tendency to spawn more procedures and eventually the government gets overwhelmed with its own rules and regulation. The infamous "licence raj" was a classic example of this phenomenon.

Lesson # 3

Accountability for results requires an effective performance evaluation system in the government. All experts agree that what gets measured, gets done. There is no point in setting goals and objectives if you cannot determine whether you are achieving them or moving away from them.

As I write this, I see many government officials nodding in agreement and claiming they do have evaluation systems in their governments. I ask them to evaluate the quality of their evaluation systems using the following four criteria: (a) Do you have an evaluation system that covers all aspects of your department's performance? Often, many evaluation systems cover processes or other easily measurable aspects of government functioning. (b) Does your evaluation system separate and make provision for performance areas that are within the control of government managers and those that are dependent on exogenous factors? (c) Do you prioritize your performance criteria? (d) Do you have a system to evaluate variation

Relative role of the system and people

(divergence) of performance from targets? For example, if a government department creates 25 new primary health centres against a target of 30, how are we to judge its performance? Is it very good, just good, average, poor or unacceptable?

If an evaluation system in the government lacks any of these four necessary conditions, then it is not really an evaluation system. It should be such that three different people using the evaluation system should come to a similar bottom-line result.

Lesson # 4

It is not only important to conduct a good evaluation of the government's performance, the results must be communicated effectively. The emerging international best practice in this area is clear. Leading performance management systems in government convey results in the form displayed in the adjacent table. The performance of each ministry/department is ranked on a scale of 1 to 5, where 1 is equal to excellent and 5 represents "poor" performance.

Any performance management system that does not communicate results in this manner cannot have a fully satisfactory desired impact. The technology for creating this index is now standard knowledge in this area. Indeed, the MoU system in India uses exactly the same methodology for rating performance of public enterprise chief executives. There is no reason the Government of India cannot (and should not) use this methodology for ranking performance of its Secretaries.

The importance of using an index for objectively and scientifically measuring the performance of government departments was recently recognized by the United Nations when it awarded Kenya its prestigious United Nations Public Service Award at the 7th Global Forum on Reinventing Government, held in Vienna.

Lesson # 5

Any reform of the government should start by reforming the system and not the people. A good system will eventually attract good people and even the current government employees will respond differently.

RANK	Government agency	Performance Index	Performance Ratings
1	Ministry of Health	1.13	Excellent
2	Ministry of Tourism	1.21	Excellent
3	Ministry of Commerce and Industry	1.55	Very Good
4	Ministry of Railways	2.15	Very Good
5	Ministry of Road Transportation	2.86	Good
6	Ministry for Electricity and Water	3.33	Good
7	Ministry for Education	3.46	Good
8	Ministry of Industries	4.20	Average
10	Ministry for Petroleum	4.66	Poor

Performance Score	Rating
1-1.50	Excellent
1.51-2.50	Very Good
2.51-3.50	Good
3.51-4.50	Average
4.51-5.00	Poor

There is a common misconception that poorly qualified people working in the government are the main hurdle to improving government performance. This flawed belief has led to many cases of brilliant people from the private sector being brought into a government system only to find them eventually failing to turn around government performance. In fact, it is much more common to find government officials turning out to be highly successful when hired by the private sector. Many private sector owners are willing to pay a several-fold increase in pay to senior government officials.

To the student of management, this is not surprising. It is said that 80 per cent of the performance of any organization depends on management systems and only 20 per cent on people, as shown in the figure at left. Of this 20 per cent, 80 per cent is accounted for by the quality of leadership. Leadership, and rank and file account for 16 per cent and 4 per cent, respectively.

Lesson # 6

The use of Performance Agreements between government and Secretaries of government is an effective institutional instrument to improve performance of government departments. Performance Agreements are known by various names around the world. However, they all represent the same management philosophy—management by objectives. They are an explicit agreement between a principal (government) and an agent (Secretary responsible for a government department) which outlines their mutual responsibilities.

Lesson # 7

The effect of implementing an effective performance management in the government can take some time to "trickle down". Hence, it is desirable to implement a few other schemes to yield immediate benefits. I call this the direct approach (as opposed to trickle-down approach) to improving government performance. Tools and techniques to fight public sector inefficiency under this category may remind development economists about the debates of yesteryear on the appropriate development strategy to fight poverty. There were those who argued for the "trickle down" approach while others argued for a direct attack on poverty. Similarly, system-wide initiatives like Performance Agreements bring long-term benefits in terms of increased efficiency. However, it takes some time for the efficiency to trickle down whereas Client Charters and Quality Mark, ISO 9000, E-government, E-procurement and other similar initiatives represent a direct attack on public sector inefficiency. These are complementary approaches and not substitutes for each other.

(The writer is Senior Economist, World Bank and visiting faculty at the John F Kennedy School of Government, Harvard University)

MULTI-ORGAN FAILURE

The principle of autonomy, interpreted by the Director to suit his own ends, has ruined the institute

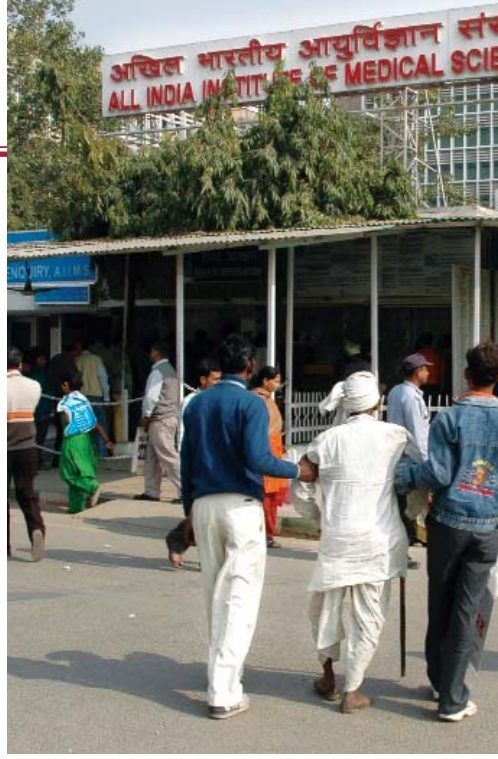
THE controversy that engulfed the All India Institute of Medical Sciences (AIIMS) for the past 18 months and the massive media coverage have created an impression that it was a turf war between the Union Health and Family Welfare Minister, Dr Anbumani Ramadoss, and the AIIMS Director, Dr P Venugopal, over the issue of autonomy. The perception is that the legendary surgeon fought to preserve the autonomy of the institute, guaranteed by statute, while the minister tried to encroach upon the Director's turf. This is far from the truth. This also gives credence to Ramadoss' allegation that the Delhi media is "casteist". Perhaps, while covering a highly emotive issue like the anti-quota agitation the journalists failed to see Venugopal's real motive.

Health Minister Anbumani Ramadoss

First, as per the provisions of the AIIMS Act of 1956, there is a clearly defined hierarchy in which the Minister (ex-officio President of AIIMS) is the boss and the Director is an employee of the Institute and subordinate to the President. Their respective areas of control and extent of power are clearly defined in the rulebook which has been in operation for the past 50 years. Therefore, to refer to an administrative chaos as a turf war between the boss and his subordinate is not only distortion of fact but also untenable.

To avail of a day's casual leave, the Director has to write an application to the President. Any faculty member or Group A officer wishing to avail of leave beyond 30 days must have the prior approval of the President. The Director does not have the power to sanction leave beyond 30 days. All the powers for governance of the institute vest with the Institute Body (IB)—the apex body constituted under the Act. Next in the hierarchy are the Governing Body (GB) and the President/Minister. The powers of the Director are the powers delegated to him by the IB/GB through the President. In disciplinary matters and service conditions almost the entire Central Civil Service rules are applicable to the staff, including the Director.

As per the AIIMS Act of 1956, there is a hierarchy in which the Minister (ex-officio President of AIIMS) is the boss and the Director is an employee of the Institute and subordinate to the President

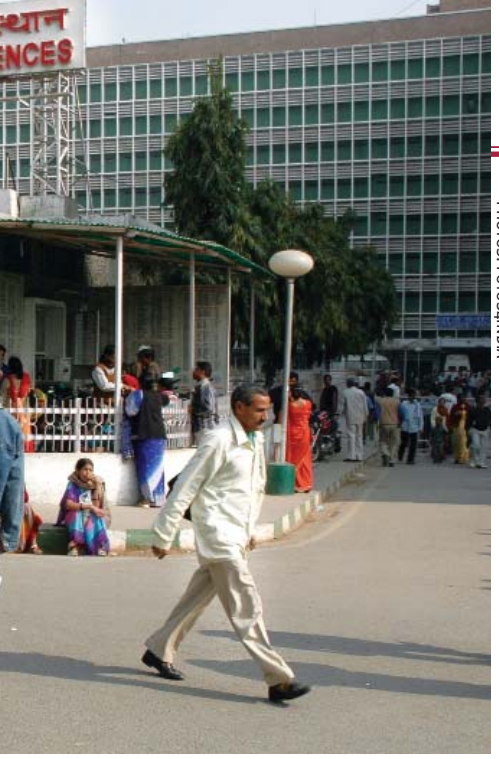


The All India Institute of Medical Sciences: don't go by the facade

So what is autonomy and how does it operate as far as the AIIMS administration is concerned? Two aspects are very clear. First, the President is very much a part and parcel of the administration. Second, when we talk of autonomy as referred to in the Act, it is for the institute and not for any individual officer. Section 25 of the Act stipulates that the Institute is controlled by the Central government. Section 26 clarifies that, in the event of a dispute "between the Institute and the Central Government, the decision of the Central Government on such dispute shall be final".

At AIIMS, many a time, a prospective beneficiary or a dealing official, keen to help a colleague, advises the Director to use his/her discretionary power. This is a trap. In reality, in a fair administration, there is nothing like a blind discretionary/arbitrary power. The acid test is: the essence of good governance is the absence of arbitrary power. But invariably successive Directors loved this power and contributed to the mess.

Unfortunately, for outsiders, it would be an eye-opener to learn the kind of things that happen at AIIMS in the name of administration. The so-called autonomy works as a double-edged sword for the employees. The Director



PHOTOS: FOTOS4INDIA

AIIMS Director P Venugopal

The Venugopal phenomenon had to happen. Ramadoss is guilty of not waking to the warning and reining in Venugopal before he went berserk

conveniently invokes his autonomous powers if he decides to favour or harm someone at his level. Even otherwise, without taking the blame on himself, he decides to refer the matter to the Ministry and manages to get a government order as per his liking. Employees have lost their jobs for making a legitimate complaint. Residents are laid off on concocted charges without even an inquiry. Venugopal himself has been a party to many such orders. He created a noise only when the Ministry acted against him as per the rules.

Excess of autonomy

AIIMS has suffered not due to a deficit of autonomy but an excess of it.

Replying to the debate in Parliament on the AIIMS Bill in 1956, setting at rest the members' apprehensions on autonomy to the institute, Health Minister Rajkumari Amrit Kaur had said the institute would enjoy adequate autonomy and there would be no undue government interference in its functioning. She stood by her word. For her, the establishment of AIIMS was the realization of a dream.

A scrutiny of the functioning of AIIMS vis-à-vis the role of the Minister and the Ministry since 1956 shows that successive Directors have enjoyed unbridled autonomy. In the beginning it was essential to allow a free hand to the Director who was entrusted to build the institute brick by brick. And, with a person of the stature and integrity of Dr BB Dikshit, the first Director, the affairs of the institute were in safe hands.

As time passed, Directors more often than not took liberty with the autonomy of the institute. There are several instances when Directors literally interpreted autonomy and acted in the most autocratic manner.

The biggest mistake Rajkumari Amrit Kaur committed was to get herself nominated to the board, thereby allowing successive Ministers to occupy the position. Let us not go into the details as to how and why this happened despite there being no specific provision in the Act to have the Union Health Minister on the board. She may have had the best of intentions. It is quite possible that without her being there we might not be seeing the AIIMS of today. The second mistake she committed was to be part and parcel of the AIIMS administration in her capacity as President. The third was to make the Director—always a medical man, without any knowledge of administration or governance—the administrative head.

It is essential to clarify that successive Ministers failed to devote adequate time and exercise necessary control over AIIMS affairs to put in place a strong administrative culture, supported by a dynamic HR policy. The Minister, who has to preside over dozens of such institutions besides multifarious activities of a huge Ministry, has very little time for the institute. Moreover, there were occasions when the Minister changed almost every six months while the Director continued for five years. Thus, the Director has become all-powerful.

The Director, being a doctor and having direct access to the highest in government, judiciary and legislature (for that matter, anybody), is the most powerful executive in the country. He can appoint and promote people as he likes—a power that even the Prime Minister or Cabinet Secretary does not enjoy. Needless to say, he can ruin lives and destroy careers—the victim cannot even seek justice. At best he/she can write a representation to the Minister or approach a court in Delhi.

The growing tendency of autocratic and whimsical functioning has not only fractured administration but also greatly affected academic, research and patient-care activities on the whole, leading to a multi-organ failure. In AIIMS, known for its research contributions, the Director undertakes controversial research for the sake of publicity without even obtaining the mandatory ethical clearance. Then his name appears in the list of doctors charged with plagiarism.

For nearly three years, Venugopal did not convene meetings of some important "standing committees"—supervisory bodies to oversee various functions of the Institute—as required under the Act. A former Director, a few years ago, did not bother to convene the IB for more than a year till an MP on the board threatened to bring a privilege motion against him for violating the Act.

The Venugopal phenomenon had to happen. Ramadoss is guilty of not waking to the warning and reining in Venugopal before he went berserk. The Venugopal episode may soon come to an end but it will leave enduring trauma for many, including the institute. At this juncture, the government may consider applying screening parameters to select future directors, and look for more psychological stability, socially acceptable personality and moral integrity. If AIIMS is to survive, it needs a human touch, a leader. g

—gfiles bureau

An office highrise in Thiruvananthapuram: soaring development?

Gulf money, and the many faces it masks

The state needs bureaucratic initiative to steer out of the complications of change

by RAMESH MENON IN THIRUVANANTHAPURAM

WHAT is the picture that unfolds when someone utters "Kerala"? Irrespective of your geographical location, the images will be the same: a rich green landscape. Snaking backwaters. High literacy. Highest longevity. Lowest infant mortality. Best healthcare. Best sex ratio. Gender equality. Robust media. Vibrant rural and urban markets. These are just a few images.

Kerala is a fascinating case study especially now as it is in the throes of change that is being resisted by purists. It is a model that is touted in various corners of developing countries. The debate, however, has been largely superficial as it eulogises the development parameters that Kerala has been able to achieve.

Here is a state caught in a web of paradoxes that has no parallel in any Indian state. On one hand are the firsts that Kerala has achieved. On the other is a state caught in the trap of its political ideologies and narrow interests myopic to the dynamism of change.

In the last few years, there has been a growth in the per capita income as far as the service sector is concerned. But there is no industry worth the name. The only silver lining is the prospect of the IT industry that is making a mark, though not as dramatically as its neighbours. But the fact that Kerala has notched up Rs 700 crore with IT exports is remarkable. It is a fraction compared to Karnataka but, apart from tourism which rakes in Rs 10,000 crore, there is nothing to write home about. Industry shies away from investing, fearing labour unrest as Kerala is one of the most volatile labour-controlled islands in India. Political parties have thrived on creating pockets of labour unions and using them as vote banks. The industries ministry wants to bring in reforms but that is on the backburner as they fear being stonewalled by their own party activists who will see the ghost of capitalism in every reform.

So there are no worthwhile job opportunities and the young continue to migrate to faraway lands. Villages and towns are bereft of educated youngsters as they have left for any place that has a job to offer. Over 44,000 passports are

issued every year. There are 35 lakh educated unemployed people waiting.

Politics runs deep in every Malayalee. There is complete polarization. If you are not a Marxist, you must be a Congressman. This is probably the only state where even the bureaucracy is completely politicized. You have Left bureaucrats and Right bureaucrats. They largely follow political dictates and have not been able to creatively sculpt a different future for Kerala. Those who leave the shores of Kerala on deputation are not keen to return as there is a lot of political interference.

Is it not tragic that in a state where even the daily wage labourer is mostly educated, youngsters are committing suicide for fear of a bleak future? There is palpable anger and desperation as the state is chained to a graveyard of industry and modernization. Ironically, civil society in Kerala is one of the most active. Have you ever heard of a populace gathering money to help a bureaucrat fight court cases that rich vested interests have slapped him with? It happens here.

Kerala has such a fantastic combination of educated talent, fertile land and vast human capital. What it lacks is discipline and direction. It needs leadership to steer it from complicated situations that have been thrown up by change. There is no industry, but an economic boom seems to be happening. The marketplaces are full; there is a kind of consumerism that you will not see anywhere; land prices are rocketing; and jewellery shops selling gold are packed.

But let it not fool you. Most of the money floating around is from remittances from Malayalees working their backs off. The figure is a staggering Rs 25,000 crore. It is not just the Gulf anymore that is a destination. In the last five years, as many as 25,000 nurses have moved into the US and UK. Kerala continues to limp as a "money order economy". If the gold shops are full and real estate is exploding, it is because of Malayalees abroad not knowing what to invest in. Gold and land is all they understand.

As remittances keep increasing every year, there is inequality growing. A study by the Kerala Shastra Sahitya Parishad shows that almost 75 per cent of the growth in assets is benefiting only the top 20 per cent. Prabhat Patnaik, vice-chairman of the Kerala State Planning Board, keeps warning that the gains Kerala made with its development model are now under threat and poverty is a real problem that needs to be tackled though it might not seem obvious as remittances camouflage the actual reality.

The glitz does hide the truth. As urbanization races ahead, there is a new problem of waste disposal which was not there earlier as each household recycled biodegradable waste in its backyard. But, with highrises shooting up, there are no backyards anymore dotted with coconut and areca nut trees. The recent outbreak of chikungunya was a direct result of waste not being disposed. Public health is in a complete shambles. Yet, for the rich there are hi-tech hospitals mushrooming. In the rural hinterland of Perinthalmanna in Mallapuram district there are 45 hospitals. Even the Marxists have got into the act with a specialty hospital. The space for public utilities is being crowded out.

The bureaucracy has done a swell job with land reforms, *panchayati raj* and protection of the poorer sections of society. If Kerala today is seen as God's own country, it is because a determined bureaucracy induced political forces over a decade ago to open up the state for tourism. Internationally, Kerala is today seen as one of the best destinations in India. There is a lot of apprehension about public-private partnership but the success of Kochi International Airport is there for all to see. Last year, it posted a profit of over Rs 50 crore. The planned Smartcity in Kochi and the Technocity in Thiruvananthapuram could be the new models emerging that might teach cynics a thing or two. Bureaucrats could use this to remove some ideological cobwebs that politicians are clinging to.

Kerala has risen far above pedestrian caste and communal traps and the bureaucracy can take some credit for it though social activists played a great role. The bureaucracy now needs to take Kerala to a new state of health.

Kerala has the kind of potential that no Indian state has, but it has to take that leap which only the bureaucracy can do as active catalysts of change in such a dynamic state. Kerala cannot be left to its blinkered politicians. The Marxists are not open to listening. But the bureaucracy must work in tandem to whip up political will to make Kerala the kind of state it deserves to be. g

What the state's bureaucracy can do

- Make the educated employable
- Introduce vocational and professional need-based courses
- Stem new evils like dowry and ostentatious marriages
- Nip communal divides
- Make labour realize there is more to union activity than unreasonable demands
- Encourage agricultural activity that is dying as labour is so expensive
- Develop organically grown spices for a growing international and national market
- Educate the populace that nuclear energy need not be a bad thing if done cautiously so that power cuts can be done away with
- Develop a new model of development keeping in mind the dynamic sociological and physical changes
- Make Malayalees sending in remittances invest wisely and become partners with the government to bring in change

On one hand are the firsts that Kerala has achieved. On the other is a state caught in the trap of its political ideologies and narrow interests myopic to the dynamism of change

Sonrise!

Bishnoi is savvy, conscientious and energetic but needs to learn the intricacies of the state's political labyrinths

by ANIL TYAGI

NOVEMBER 2007 turned out to be crunch time for former Haryana Chief Minister Bhajan Lal. Predictably, his revolt against the Congress party was followed by the launch of a new political outfit – the Haryana Janhit Congress (BL). And, in coincidentally apt symbolism, the new party chose a rising sun as its symbol while the Haryana veteran declared son Kuldeep Bishnoi, MP from Bhiwani, his political heir by handing him the reins of the HJC. His elder son, Haryana Deputy Chief Minister Chandra Mohan, the MLA from Kalka, is perhaps waiting in the wings to jump aboard the family bandwagon.

Intra-party revolt is not a new phenomenon in Haryana politics. Dissidents dot the political landscape of the state. Tau Devi Lal turned political somersaults umpteen times against the Janata Party and Lok Dal of Charan Singh. Bansi Lal formed the Haryana Vikas Party. But Bhajan Lal pioneered *Aya Ram Gaya Ram* politics in the country when he shepherded the entire Congress Legislative Party into the Janata Party in 1978 to become Chief Minister.

In 2005, as state chief of the Congress, Bhajan Lal was the architect of the party's victory in the Assembly polls. And the seeds of the Haryana Janhit Congress (HJC) were sown on March 5 that year when the Congress high command nominated Bhupinder Singh Hooda to head the government, ignoring Bhajan Lal's claim. With two years lapsing and the next Assembly elections nearing, he perhaps thought it fit to severe links with the Congress and prepare for the elections.

Haryana, a state of 90 Assembly seats and 2 crore 10 lakh people populating an area of 44,212 sq km, is the country's fastest developing state. It has the added advantage of being the gateway to Delhi. Faridabad, Gurgaon, Rewari, Mahendragarh, Rohtak, Sonepat and Panipat are witnessing an unprecedented property boom with the steepest land prices as a result of proximity to the capital. Real estate sharks are out to grab land by any means, and the support of bureaucrats and politicians is there for the asking. The casualty of this property boom is the farmer and so any people's movement that raises this issue is bound to find favour with the masses.

Bhajan Lal and his sons have waited patiently for an honourable rehabilitation of the veteran politician by the Congress leadership. Bishnoi was close to the Congress president's son-in-law, Robert Vadra. He hoped that Priyanka, Rahul and Robert would heal his father's wounds but this was not to be in the face of stiff resistance from the coterie surrounding Sonia Gandhi. Bhajan Lal was never allowed to meet her. He had been one of PV Narasimha Rao's most trusted colleagues and political operators and had contributed a great deal to making the minority government last a full term. This was enough reason for Sonia Gandhi to nurse a dislike for him, which the coterie kept stoking.

Finally, the issue became one of political survival for the family – whether to take it lying down or quit. Also, every politician worth his salt knows that supporters need to be busied with political assignments – constructive or otherwise – to pre-empt change of allegiance. And so, immediately after the last Assembly polls Bhajan Lal and Bishnoi started meeting Congress workers and leaders at district headquarters to consolidate their political base.

Haryana's Congress government has completed two years in power and, typically, resentment is building against it. The time was ripe and, on December 2, the father-son duo thundered against the Congress leadership in an impressive public rally at Rohtak, the Jat hinterland and Hooda's home town.

Bishnoi is considered an apt choice to carry on his father's political legacy. However, he has to emerge from his gilded cage to mine the earth. He is up against the power of the state and also the politically ambitious sons of Haryana politicians in grey suits. The Hooda government will go to any extent to nip the challenge in the bud but Bishnoi's real threat is from the second-generation brigade. And, in the neck-to-neck race for power, only a carefully charted strategy can lend him the winning edge.

His main rivals are the so-called modern-day Young Turks, comprising four sons and a daughter-in-law of Haryana politicians. Ajay Chautala and Abhay Chautala, sons of Om Prakash Chautala

He has to ensure brother Chandra Mohan quits the government and joins the family battle against the Congress. The sooner, the better. The masses will certainly not let the Bhajan Lal family enjoy the best of both worlds – the government and the opposition

COURTESY: THE INDIAN EXPRESS

Kuldeep Bishnoi (left) with his father: rolling up his sleeves for battle

and grandsons of Devi Lal, are the leaders of the Haryana Lok Dal. Control of the party vests in them, and not their father. Dipender Singh Hooda is not only the Chief Minister's son but also the sitting MP from the Jat belt of Rohtak. Randeep Singh Surjewala, son of Congress leader Shamsher Singh Surjewala, is a Minister in the Hooda government and believed to be the blue-eyed boy of 10 Janpath. Kiran Chaudhary, widow of Bansi Lal's son, Surender Singh, is also a Minister and belongs to Bishnoi's Parliamentary constituency of Bhiwani.

The Bhajan Lal scion has a long way to go to sustain his political struggle and wrest power in the 2010 Assembly polls. The impressive Rohtak rally saw him spewing fire against the Congress, Hooda and Sonia Gandhi. However, he failed to touch the basic problems of the masses or identify a clear agenda for the state's development. Haryana's biggest challenge is protecting its land, villages and culture from the land mafia, businessmen and politicians. The rehabilitation package for those whose lands have been acquired and given to Mukesh Ambani needs to be spelt out clearly. Protection of their rights after acquisition is another issue that can mobilize farmers. The HJC cannot cut ice with voters by just adopting an anti-Congress stand. It has to prepare for a long-drawn political battle by coming up with a plausible development agenda for the state.

Haryana's youngest politician, Bishnoi is a dynamic cyber-age MP who is articulate and a go-getter. Before joining politics, he looked after the family's business empire. He is a man of commitment and values his friends. Fortunately, he faces the soft-spoken Hooda and not a vindictive Om Prakash Chautala or stubborn Bansi Lal. Hooda, seen as a non-performing Chief Minister, is not a man of the masses and is tied to the apron strings of the Congress president.

The HJC is sure to weaken the Congress, but will it strengthen Bishnoi? Chances are that Om Prakash Chautala might benefit after the exit of the father-son duo from the Congress and thus pose a bigger challenge to the fledgling party. If this happens, Bishnoi will have to open many fronts to muster more votes and consolidate the existing base.

But Bishnoi's exit will also affect the Congress. He and the party share the same base – along the Grand Trunk Road – from where the Congress has been winning the most Assembly seats.

Hooda is lacking in efficient administration and has failed to bring about development and Bishnoi can take on the mantle of being Haryana's new hope, provided he can carry his political fight to its logical conclusion. For this, he has to ensure that elder brother Chandra Mohan quits the government and joins the family battle against the Congress. The sooner this happens, the better. The masses will certainly not let the Bhajan Lal family enjoy the best of both worlds – the government and the opposition. g

Responsive diaspora

They are not just potential investors but also contribute to research and are India's unofficial ambassadors

NOW that the NRIs are a significant presence in India's public consciousness, a good deal of thought is being given to how best to involve them in the development of the country. However, our thinking, both in government circles and among the NRIs, remains rather tentative, and is ignorant of what other similarly placed countries such as Israel, China, Australia and South Africa are doing.

India's approach to NRIs is understandably but rather excessively dominated by the economy and the need to attract investment. Economy does not function in a vacuum, and we need to pay equal, perhaps even greater, attention to India's political, social and educational institutions which are in a somewhat sorry state. Barely 1 per cent of the Indian diaspora is rich enough to invest, and it cannot be allowed to hog all the attention.

I would like to offer three suggestions that could form the basis of collaboration between the NRIs and the Government of India. First, we need a high-level committee made up of the senior members of the Government of India and the representatives of the NRIs, and chaired by a senior Cabinet minister (preferably by the Prime Minister). Dr Manmohan Singh is not only a fine Prime Minister but has also spent a large part of his life abroad and thus qualifies as a distinguished NRI, a rare combination that is reminiscent of Mahatma Gandhi, another NRI who led us to independence. The committee should meet once a year, preferably at the same time as the Pravasi Bharatiya Divas in January. It should have a clear agenda and should commission well-researched papers on important issues. Although its membership should be drawn from all the major regions where Indians are settled, it would be slightly weighted in favour of those regions where the NRIs are recent migrants, have closer ties to India, and a greater capacity to contribute. When some of us recently met the Prime Minister and put the idea to him, he was sympathetic. It now needs to be built on and given a clear institutional articulation.

Barely 1 per cent of the Indian diaspora is rich enough to invest, and it cannot be allowed to hog all the attention

Second, in a knowledge-based economy, India has little hope of becoming a great economic power without a sound basis of fundamental research. Our record here leaves much to be desired. Some basic and world-class research is taking place, but it is largely applied, limited to technology, and principally confined to the private sector and the defence industries. The reasons for this are only partly financial. Research in classical Indian languages, philosophy, political science, economics, and ancient and medieval Indian history does not need large sums of money, and yet our scholars and students have to go abroad to learn the latest developments in many of these areas. The absence of the right kind of institutional climate, adequate training facilities, and the culture of research are largely responsible for this.

There are various ways to deal with this. We need to appoint eminent academics and scientists to our universities and research institutions, and give them the resources to create world-class centres. We also need to offer scholarships to our talented students to acquire training in great Western universities, as China, Malaysia and other countries are doing.

The NRIs can play a vital role here.

PIB

The Pravasi Bharatiya Divas gathering: a conclave whose full potential is yet unexplored

Many of them do valuable work at individual levels. I've a small family foundation and, among other things, we provide two fully-funded scholarships to Indian students doing doctoral research in natural and social sciences at the University of Oxford. Others do even better work. I suggest that the NRIs set up a foundation comparable to the Ford or Guggenheim foundations. It is not beyond the bounds of possibility to raise, say, a hundred million dollars, whose interest can easily provide 50 to 100 such scholarships.

We can also do what the federal government of Australia has recently decided to do. Determined to build up world class research and teaching institutions, it has set up 15 generously funded research professorships for overseas Australians backed by substantial funds to recruit young scholars and build up research facilities. The idea is to attract the most eminent Australians back to Australia permanently or for five to 10 years, and locate them in half-a-dozen carefully selected institutions. They are expected to do research themselves and to build up a cadre of second-generation researchers. Over a hundred distinguished overseas Australians have applied and are anxious to do something for their country of origin. The Australian government is serious and determined to get its money's worth. I know this because I was asked for an extremely detailed reference for one of their distinguished candidates in political philosophy.

We should do something similar in India. The Government of India could identify important areas where we are weak and invite eminent NRIs and others to apply. It could fund the whole thing itself or ask NRIs to make a significant contribution. This will over time help create world-class institutions in India, and not only arrest the growing flow of Indians going abroad but also attract non-Indians from all over the world, thereby bringing us more money that can be used to build up more such centres. China, Singapore and Malaysia are already moving in this direction, and we can't afford to be left behind.

Third, as India acquires greater global visibility, it needs to be projected better abroad. NRIs can act as unofficial ambassadors. Their major organizations need to be kept better informed about India's view of the world, its problems and needs, its thinking on major issues, and so on. This requires greater cooperation between its diplomatic missions and local NRI spokesmen. It also requires greater contact between the Government of India and NRIs than at present. The annual Pravasi Bharatiya Divas meetings are too large, too one-sided, and too government-dominated to achieve this. It would also help greatly to have a probing, professionally-run, non-partisan weekly in which the affairs of NRIs scattered over 40 countries can be debated, and a systematic exchange of views between them and the government and people of India carried on. Such a weekly can also forge closer ties among the NRIs and make them a significant global force. Such journals have existed in the past and continue to exist, but they do not quite serve the purpose I have in mind. It is about time we started one, enjoying the moral support of the Government of India but in no way officially attached to or financially dependent on it. An NRI consortium can underwrite such a venture.g

(The writer is professor of political philosophy, University of Westminster, emeritus professor at the University of Hull and centennial professor at London School of Economics. He is a member of the House of Lords and has received the Pravasi Bharatiya Samman and Padma Bhushan)

FOTOS4INDIA

INVESTORS' GOLDEN GEESE

Hinjewadi and Manesar rank highest among the top 17 emerging corridors

ACCORDING to the Cushman & Wakefield-GRI India Real Estate Investment Report 2007, "India Gaining Momentum", 17 new corridors emerge as strong investment destinations for investors with different risk appetites.

As India enters the next phase of real estate growth, the exploration of suburban and peripheral developments of major cities as cost saving and risk diversification measures is emerging as a vital initiator for analysing the potential investment opportunity within these emerging corridors. Hinjewadi (Pune), Manesar (National Capital Region), GST and Sriperembudur (Chennai), Shamshabad (Hyderabad), Devanahalli (Bangalore), Greater Noida (NCR), Panvel and Virar (Mumbai), Rajarhat (Kolkata), Thane (Mumbai), Kokapet (Hyderabad), Bidadi (Karnataka), Chakan and Kharadi (Pune), Bantala (Kolkata) and Tumkur Road (Bangalore) are the 17 corridors that reflect high investment potential.

According to the C&W report, Hinjewadi (Pune) and Manesar (NCR) emerge as the highest rankers on all parameters and are poised to be prominent locations with promising prospects due to relatively strengthened real estate dynamics and favourable policies

Sanjay Dutt and Anurag Mathur, Deputy Managing Directors, Cushman & Wakefield, add: "Overburdened infrastructure, rising real estate and operational costs, limited availability of large land parcels et al have driven corporates and developers to seek alternative locations within their periphery. These emerging corridors are extensions of tier I and II cities that stand to gain from the existing talent pool and benefits from pre-planned infrastructure."

The corridors are rated according to three broad parameters: Sustainability, Momentum and Economic Environment, on the basis of a multivariable analysis. The grading of the locations depicts the scale of opportunities within these emerging corridors, which would allow investors to gauge their location preference according to their risk appetite. Locations that score high on sustainability exemplify the

Khan Market, New Delhi: glittering locale

World's 16th most expensive retail spot

- India has been ranked the 16th most expensive retail "high street destination" in the world. According to the "Main Streets Across the World (MSATW) 2007" report by Cushman & Wakefield, Khan Market in New Delhi is India's most expensive retail destination with rentals of Rs 950 per sq ft per month in the second quarter. It had an annual growth of 35.7 per cent over the same period last year.
- New York's Fifth Avenue retained its title as the most expensive shopping destination followed by Hong Kong's Causeway Bay and Paris' Avenue des Champs Elysees.
- The report said India also figured among the world's top 10 locations that saw highest rental increase in local currency terms.
- Connaught Place in Delhi is the highest gainer in Asia and second only to Chicago's East Oak Street across the world, with an annual growth of 87.5 per cent.
- Kemp's Corner in Mumbai has also witnessed high rental growth of 78.2 per cent, making it the fourth highest riser of rental growth.
- Greater Kailash in Delhi, Flora Fountain and Colaba in Mumbai were also among the highest rent rises recorded, with increase of 57.1 per cent, 55.2 per cent and 51.1 per cent respectively. The rental in Connaught Place was Rs 750 per sq ft a month, while for Kemp's Corner it was Rs 490 per sq ft.

strength of their physical and social infrastructure, real estate development in the adjoining markets and the nature of economic activity present with the broader location.

These corridors will have limited exposure to risk and will bring assured returns due to demand dynamics and readiness of infrastructure. Therefore, long-term sustainable corridors would emerge as preferred choice for investment from the risk minimization perspective. Some that rank high on this parameter include Hinjewadi (Pune) and Manesar (NCR), GST and Sriperembudur (Chennai), Shamshabad (Hyderabad), Greater Noida (NCR), Panvel and Virar (in and around Mumbai) and Devanahalli (Bangalore).

Momentum is an indicator of the pace and direction of the developmental activities along the corridor. There would be considerable strength of local and national players planning projects or venturing into these corridors. Higher score in this parameter reiterates the growth potential of the region. However, entry barrier would be higher and a thorough analysis is required to create appropriate product positioning. GST and Sriperembudur (Chennai), Rajarhat (Kolkata), Bantala (Kolkata) and Shamshabad (Hyderabad) reflect high momentum within their regions.

A favourable economic environment reinforces the faith of local and foreign investors ascertaining the attractiveness of Thane (Mumbai), Kokapet (Hyderabad), Bidadi (Bangalore), Chakan and Kharadi (Pune). This is driven by the favourable government policies environment that would reduce entry barriers providing investors with ease of attaining clearances to expedite processes and the demographic profile of their catchments that would add to the strength of these locations.

The 17 corridors

- Hinjewadi (Pune)
- Manesar (National Capital Region)
- Grand Southern Trunk Road and Sriperembudur (Chennai)
- Shamshabad (Hyderabad)
- Devanahalli (Bangalore)
- Greater Noida (NCR)
- Panvel and Virar (Mumbai)
- Rajarhat (Kolkata)
- Thane (Mumbai)
- Kokapet (Hyderabad)
- Bidadi (Karnataka)
- Chakan and Kharadi (Pune)
- Bantala (Kolkata)
- Tumkur Road (Bangalore)

According to the C&W report, Hinjewadi (Pune) and Manesar (NCR) emerge as the highest rankers on all parameters and are poised to be prominent locations with promising prospects due to relatively strengthened real estate dynamics and favourable policies. GST and Sriperembudur in Chennai and Shamshabad in Hyderabad also score high and offer similar investment potential and positive environment. Regions like Greater Noida (NCR) and Panvel and Virar (Mumbai), which have performed moderately on momentum and high on sustainability as well as environment, are next in ranking and offer lucrative investment opportunity from a long-term perspective. The locations that fall under moderate scale on all three parameters are Bantala and Tumkur Road. However, this would not restrain investments from a long-term perspective. g

(Cushman & Wakefield is the largest fully-integrated real estate services firm in the world. Founded in 1917, it has 215 offices in 56 countries around the globe and 12,000 professionals)

HAIL TO THE NEW CHIEF

Indian CEOs are pulling their weight in the big league

VIKRAM PANDIT'S elevation as Citigroup's Chief Executive Officer and member of the Board of Directors is another glorious feather in the NRI cap of many colours. Pandit, most recently Chairman and Chief Executive Officer of the Institutional Clients Group, which comprises Citi Markets & Banking and Citi Alternative Investments, was founding member and chairman of Old Lane, LP, a multi-strategy hedge fund and private equity fund manager acquired by Citi in 2007.

Prior to founding Old Lane, he held a number of senior positions at Morgan Stanley over more than two decades, including President and Chief Operating Officer of Morgan Stanley's Institutional Securities Group, which included Morgan Stanley's investment banking, fixed income and capital markets businesses.

Pandit serves on the boards of Columbia University, Columbia Business School, and India School of Business, Hyderabad. *The New York Times* commented, "a calm, dispassionate man with a professorial bent and a PhD in finance from Columbia, Mr Pandit's selfless disposition has caused him to stand out from his banking peers."

The paper added: "His administrative and technical skills, plus an ability to make himself indispensable to bosses like John J Mack and Phillip J Purcell, fueled his career at Morgan Stanley, where he became president.

"But he is also a retiring man, not prone to ruthless acts, with a natural hesitancy about taking risks, both professional and personal." g

South Asian Heads of US Companies

- **Ramani Ayer,** Chairman and CEO, Hartford Financial Group, a $27-billion financial services company
- **Raj Gupta,** Chairman and CEO, Rohm & Haas, an $8-billion specialty materials company
- **Vinod Gupta,** CEO of InfoUSA, a $400-million company (formerly known as American Business Information)
- **Indra Nooyi,** CEO, PepsiCo — $33 billion in sales (August 2006)
- **Vikram Pandit,** CEO, Citigroup — world's largest financial services company (December 2007)
- **Deven Sharma,** president, Standard & Poor' s (August 2007)

Former CEOs

- Rono Dutta, former president, United Airlines
- Rakesh Gangwal, former CEO, US Airways
- Rajat Gupta, former managing partner, McKinsey & Co. (1994-2004)
- Umang Gupta, former CEO of Gupta Corporation, a database company he took public in 1993; now chairman of Keynote Systems
- Sanjay Kumar, former CEO of Computer Associates and co-owner of New York Islanders hockey team (2000-'04)

Brand India

- The number of companies listed on the Bombay Stock Exchange, at more than 6,000, is second only to NYSE.
- Four out of 10 Silicon Valley startups are run by Indians.
- With 800 movies per year, India's film industry overshadows Hollywood.
- The organized lottery market in India is $7 bn (2 per cent of GDP).
- India consumes a fifth of the world's gold output.
- Indians account for 45 per cent of H1-B visas issued by the US every year. Growing at 6 per cent, in 25 years Indian GDP (on a PPP basis) will be at the same level the US is at today.
- Six Indian women have won Miss Universe/Miss World titles over the past 10 years (between 1994 and 2000 six Miss Worlds and two Miss Universes).
- Bank deposits in India roughly equal 50 per cent of its GDP, among the highest in the world.
- Indian Railways is the largest railway network in the world under a single management.
- India has the third largest army in the world, nearly 1.5 million strong.
- India is the largest producer and consumer of tea in the world, accounting for more than 30 per cent of global production and 25 per cent of consumption.
- India is the world's premier centre for diamond cutting and polishing.
- Nine out of every 10 stones sold in the world pass through India.
- India has the highest number of annual bulk drugs filings (77) with USFDA.
- India is home to the largest number of pharmaceutical plants (61) approved by USFDA outside the US.
- India's Hero Honda is the world's largest motorcycle manufacturer, with 2002 production of 1.7 m units.
- Other than US and Japan, India is the only country to have built a super computer indigenously.
- Indian Railways is the largest employer in the world, with a staff of 1.6 million.
- India is the second largest cement-producing country in the world, producing more than 110 m tonnes.

Foreign countries fight for Indian travellers

Forecasts show that outgoing expenditure from India will reach 16.3 per cent in 2011

NEW travel and tourism data just published by Euromonitor International predicts that the number of tourists travelling from India will more than double by 2011. Leading tour operators such as Kuoni Travel and Thomas Cook are preparing to take advantage of this boom in the Indian travel market, as the total number of outbound travellers is set to reach 16.3 million in 2011 alone.

This dramatic rise in the number of Indians travelling abroad (132 per cent over 2006-2011 according to this latest research) is being driven by rising disposable incomes, more affordable holiday options and the growth of low-cost carriers, enabling more Indians to travel abroad.

The growing strength of low-cost carriers in India is one of the key factors boosting the Indian outbound travel market. Clement Wong, Travel and Tourism Account Manager at Euromonitor, comments: "Indian tourists now have more choice and options for travel outside the country, thanks to the continued growth in low-cost carriers. At times, it is even cheaper to travel to other countries in Southeast Asia than to other regions within India."

Air Deccan, the first low-cost carrier to operate in India, is currently the most prominent in the market. However, SpiceJet and Go Air have also joined the scene and the number of players looks set to rise.

With departures by air accounting for more than 98 per cent of all departures from India, the air travel market is clearly on a high. In 2006, sales for low-cost airlines grew by 115 per cent in India, storming ahead of the industry average growth of 19.5 per cent. Singapore is currently benefiting from the bulk of Indian outbound tourism; however, as foreign travel becomes more affordable many Indian holidaymakers will set their sights further afield.

FOTOS4INDIA

Age no bar: Online travel sales are up

The US is predicted to be the most preferred destination for Indian travellers by 2011, receiving 10.2 per cent of outbound tourists from India

The US is predicted to be the most preferred destination for Indian travellers by 2011, according to this study, receiving 10.2 per cent of outbound tourists from India. The strengthening of business ties and a large number of Indians residing in the US will be the main drivers behind this trend.

The growing number of Indian tourists is now widely recognised and countries are increasingly trying to attract them. A number of countries, including Ireland, the Netherlands, Spain, Poland and South Korea, have already opened tourist offices in India to directly target Indians who want to holiday abroad. Wong adds: "Indian tourists are big spenders and as such are a boost to the tourism revenues of any country."g

Skyrocketing Online Travel Sales

- Euromonitor is also predicting India will become Asia's fastest growing market for online travel retail by 2010. Over the next three years internet-based travel retail transactions will jump by a whopping 271 per cent.
- Presenting details at the Asia-Pacific Travel Distribution Summit Asia 2007 in Singapore, analysts predicted that online travel retail sales generated in India will exceed $2 billion in 2010 alone.
- This record growth in India's internet travel retail transactions will be fuelled by a number of major factors, which are also affecting other key Asian markets, including Vietnam, Malaysia and Hong Kong. These are primarily the rapid growth of the urban population in India. This will provide the perfect setting for travel retail companies with online operations since more and more Indians wishing to travel will have access to the internet.
- The Indian government's support is the second crucial factor in the development of successful online penetration. As it has enhanced support of internet usage, particularly in education, this will be a key driver. In addition, the over-65 generation in Asia is becoming more adept at using the internet.

PAYING THE LNG PIPER

The adage in this competitive, tight market is, if you do not buy it for the proper price, someone else will

IN the rapidly changing face of the global gas market—and the challenges that lie beyond 2010—one statistic stands out: the growth in LNG is more rapid than that of natural gas. Asia accounts for two-thirds of the world LNG trade, the Americas about 10 per cent and Europe 26 per cent. In order to get into the LNG market you have to play the international game and you have to play it credibly. Look at what Qatar is doing in this market. The country has committed 48 million tonnes of LNG to US and Europe but this commitment is not a firm one. Even though the quota is technically committed to the US and Europe, it can be diverted to any other continent or country willing to pay as much or more. If prices are not high enough, the supplier, by diverting this 48 million tonnes to the global market, is getting interconnected. So it is not correct to say that there is no volume available. Rather, there is no volume available at the lower prices.

The buyers' market will become a full-blown sellers' market by next year.

A national policy still needs to be formulated in terms of defining bands of end users for a particular form of energy source — gas, LNG, oil, coal, alternative energy, nuclear, and so on — and how the products will be priced

There are still opportunities to negotiate deals. You have to be smart and savvy and ready to play. Does high demand keep pace with higher prices? In countries like India, if the price of gas is low, the demand is infinite; if the price of gas is high, the demand will be limited. What is the limit of demand at price levels of, say, $6 to $8 BTU which, I think, is a pretty realistic long-term price corresponding to the $60 per barrel price of oil? Can the power sector pay for it? Can the industry sector pay for it? Can residential and commercial sectors pay for it? Well, some can and some cannot, so it may be that the gas market will be divided into high-end and low-end. High-end would be the power sector, which is using oil and can pay. But the power sector, which is using existing gas at the lower official prices or hoping to build gas power plants and expects to pay lower prices, would not be able to bear these prices. Steel companies certainly can. So I don't think it is correct to say that higher prices will kill demand in India. Higher prices will moderate

Alternatives: fuelling the future

FOTOS4INDIA

demand in certain sectors but there will still be substantial room for growth, and if those who have to pay higher oil prices find that gas is still competitive they will be able to afford them. But those who hope to get gas at $3 or $3.50 for the power sector may be better off using coal as a competitive alternative.

LNG has an important role to play in the basket of energy and fuel sources in India, but what percentage of this it will constitute and at what price within the next decade is difficult to determine in the absence of a nationally integrated pricing system for these products. The government, in particular Dr Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission, has articulated the need for this but a national policy still needs to be formulated in terms of defining bands of end users for a particular form of energy source—gas, LNG, oil, coal, alternative energy, nuclear, and so on—and how the products will be priced.

Higher prices will moderate demand in certain sectors but there will be room for growth, and if those who have to pay higher oil prices find gas is competitive they will be able to afford them

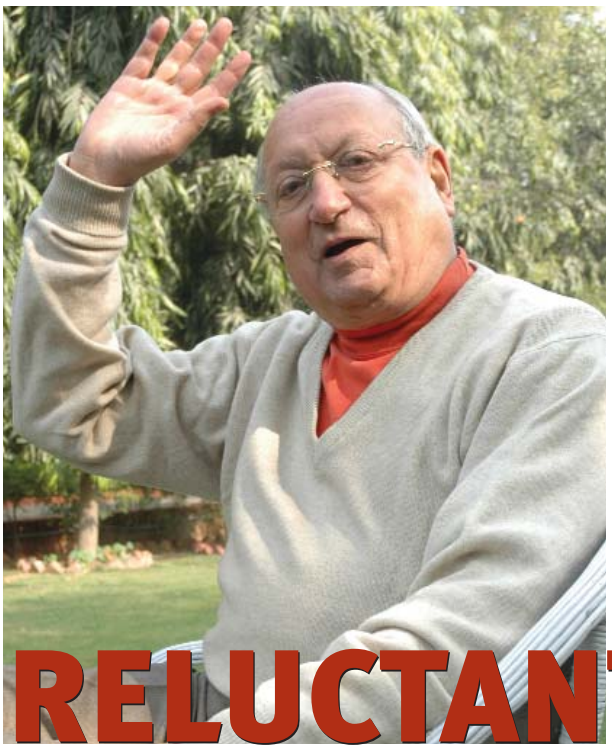
LNG's role in this basket is a slow but growing one that cannot be reversed. Domestic gas in India as it stands today, even the latest ONGC price, is negotiated at $4.60 BTU. This is not cheap. The old prices are gone. In the new market we can expect a price of between $5 to $6 BTU. Therefore, certain segments that cannot buy at this price have to go back to coal, or to nuclear energy when it becomes available. But I do not think nuclear energy is going to be that cheap either. That is why there needs to be segmentation of sectors according to what option they can afford.

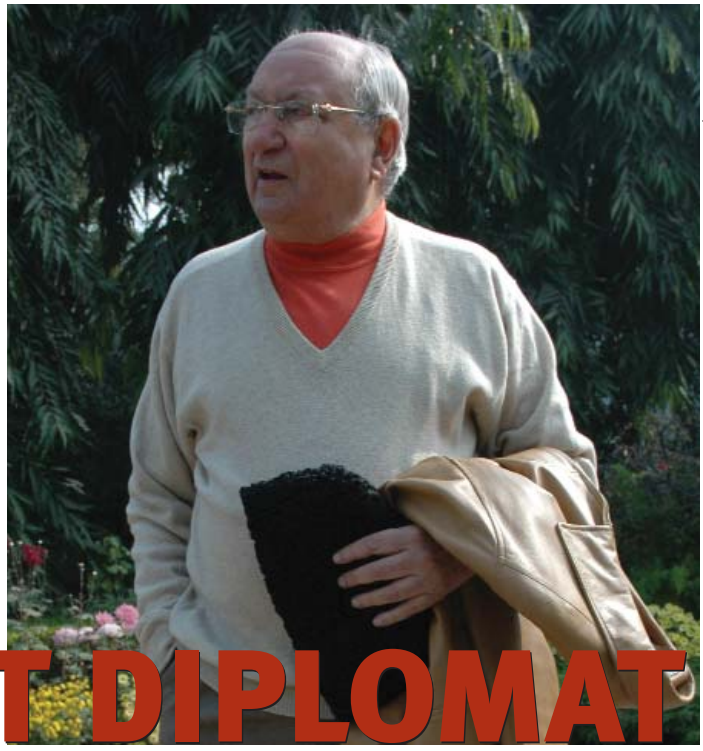
LNG, therefore, becomes part of the gas system in India. If tomorrow Reliance or GAIL or ONGC develop basins and bring more gas to the market, I do not see them selling it at some price that is not in harmony with international market forces. They would have to sell at the proprietary price, the international price. Whether LNG is a big portion or a small portion is irrelevant. What has extreme relevance is what happens in the international LNG market. What is needed is for the prices to be proper. That has not yet happened, but I am sure it will in the next few years. The simple adage is, if you do not buy it for the proper price, someone else will.

Looking at the supply options beyond 2009 and 2010, the situation today is that most of the supplies in the markets have been scooped up already and there is not that much room for price maneuvering or playing with spot cargos. The volumes have already been sold, mostly to the Japanese who have been among the most far-sighted investors in LNG. So, if you want to buy gas beyond 2009-2010 where do you look? There are opportunities next door in Iran and Qatar. But most of Qatar's volumes have already been committed and it is unclear how much more they will offer. I believe they may offer perhaps 10 to 20 million tonnes more past 2010 but the large volumes are gone.

Iran has exportable gas but not huge amounts, perhaps between 30 to 40 million tonnes. The greatest prospects may lie in Australia. But Australia has a number of international players in this field, many of them preferred customers with terminals in the US and Europe. But there are also many localized players in Australia who do not have many options but have huge assets and resources. Some of them are expensive grassroots projects, and these players will be looking for strategies beyond 2009 and 2010. This is where huge possibilities lie for India and for PSUs like GAIL—building relationships with these uncommitted players, setting up partnerships, creating confidence, and preparing to access these supplies. I firmly believe that it is possible to start today and make sure that new volumes beyond 2009-2010 are available. I think this kind of forward thinking and forward planning and looking beyond are going to make it possible for Indian energy planners to be able to access supplies in this very competitive and tight market. g

(The writer is founder-President of Fesharaki Associates Consulting & Technical Services (FACTS) Inc. His work is recognized worldwide for pioneering oil/gas market analysis and studies of the Asia-Pacific/Middle East energy markets since the early 1980s. This article is exclusively adapted from a closed-door interactive session with Indian government officials.)





PHOTOS: FOTOS4INDIA

RELUCTANT DIPLOMAT

The man who nursed a desire to be in the IAS talks about his impressive IFS career

THE best moment of my foreign service career is related to the hijack of August 24, 1984. Seven young terrorists hijacked an Indian Airlines flight from Chandigarh to Srinagar with 100 passengers aboard. The plane was first taken to Lahore and then via Karachi to Dubai. I was Additional Secretary (West Asia) and enjoyed a good rapport with the rulers of the United Arab Emirates. It was a tough job to bring about a peaceful and honourable settlement of the hijack drama.

I passed out from Cambridge in 1949, and had many options. Unilever and Burmah Shell were both offering me jobs. But my father, Amar Nath Bhandari, then Chief Justice of Punjab High Court, advised me to appear for the Indian Administrative Services exam. I was selected and chose to be an IFS officer—a decision I still regret. I believe one can serve the country in a better way as an IAS officer. I tried to shift to the IAS cadre but was not allowed to do so.

I came back to India for two reasons: one, India had been liberated, and, two, Prime Minister Jawaharlal Nehru was inspiring the youth to work for the country. At the beginning of my career, I was private secretary to VK Krishna Menon, who became minister without portfolio in 1956. I knew him very well from my student days and I also served him when he was Defence Minister. The crucial debate on Kashmir was on in the country and, working with Krishna Menon, I learnt the intricacies of the Kashmir problem. I got a first-hand experience of the Defence Ministry's handling of foreign affairs.

I conceptualized the role and importance of having a separate economic diplomacy department in the External Affairs Ministry. Since then, this department has been playing a very important role in economic cooperation especially in African countries. I also served as Deputy Chef de Mission in Moscow when DP Dhar was Ambassador. We were deeply involved in the Indo-Soviet Treaty. I also served as Ambassador to Thailand and Iraq and was instrumental in getting the big construction companies business in Iraq. In 1977, I became Additional Secretary (Administration & West Asia) and later Secretary (Economic Affairs). In 2002, I retired as Foreign Secretary.

The Soviet Union had shifted to keeping an equidistance from India and Pakistan....Our job was to tilt the balance in favour of India again

The IFS is a challenging job nonetheless. When I was in Moscow, the Soviet Union had shifted to a new policy of keeping an equidistance from India and Pakistan during the Brezhnev regime. Our job was to tilt the balance in favour of India as before—a tough job that we performed with aplomb. I must, however, admit that I could sense a gradual shift in the social policies of the Soviet Union way back in 1969. Individuals were allowed to own cars and *dachas* (farmhouses). But no one imagined that the ultimate change would come so fast.

Gorbachev is misjudged. He was expecting changes, he could feel the pulse of the people. But the change was abrupt.

The Nehru and Indira eras were markedly different from the present time. Civil servants were truly independent and there was hardly any case of corruption against any civil servant. We are used to hearing and reading about corruption in irrigation and public works departments. But, in the foreign service, there has never been a single instance of corruption except in the visa section. Our colleagues in the External Affairs Ministry are very honest, command respect and are assigned due weightage.

There is a fundamental change in the approach of South Block. Earlier, it was cautious, cool and very conscious. Our main focus was that India's interest should not be altered anywhere as envisaged and planned by South Block.

What is required of an IFS officer is that he should remain free from undue pressures from any quarter and refuse to serve vested interests. The fundamental principle underlying foreign relations is that an individual's interests should not influence policies and decisions.

I have also been Governor of Uttar Pradesh, Tripura and Goa, and Lt-Governor of Delhi. I am now disillusioned with politics. But my objective to serve the common man is not fulfilled. I consider my stint in Delhi as Lt-Governor the most fruitful. I coined a slogan, *Meri Dilli Meri Shaan*, and prepared the road map of the Metro and technological facilities. Illumination of historical monuments and cleansing of the Yamuna by setting up local effluent treatment plants were initiated. Sadly, the Yamuna scheme could not be implemented fully and the Yamuna became Delhi's shame.

People criticized my stand as UP Governor that having the single largest party is not the criterion for inviting a leader to form the government. Later, the President of India vindicated my stand and now other Governors are following in my footsteps.

Good governance calls for a positive attitude—nation first, self later.g

TRACKING

For a complete list of appointments & retirements, see www.indianbuzz.com

CM BHATT
The 1974-batch IPS officer of the Uttar Pradesh cadre has been appointed DG (Technical) in the state.

JAYANT PRASAD
The 1976-batch IFS officer is going to be India's next ambassador to Afghanistan.

VK RAMISHETTY
The 1998-batch IPS officer of the Assam cadre has taken over as Senior Superintendent of Police (City), Guwahati.

TARUN BAJAJ
The IAS officer of the Haryana cadre is the first from the 1988 batch to become Joint Secretary (Insurance) in the Ministry of Banking.

VEENA SREERAM RAO
The 1972-batch IAS officer of the Karnataka cadre has been appointed Secretary, Ministry of Development for the North Eastern Region.

UC SARANGI
The 1977-batch IAS officer of the Maharashtra cadre is now Chairman, National Bank for Agriculture and Rural Development.

SUSHMA SINGH
The 1972-batch IAS officer of the Jharkhand cadre has been appointed Secretary, Panchayati Raj in the Government of India.

PRADEEP KUMAR
The 1973-batch IAS officer of the Uttar Pradesh cadre is now Secretary, Animal Husbandry in the Government of India.

RJ MOHAN PILLAI
The 1973-batch IAS officer of the Bihar cadre has become the new Chief Secretary of the state.

RAJENDRA KUMAR
The 1989-batch IAS officer of the Union Territory cadre is now Chairman-cum-Managing Director of Delhi Transco Ltd.

RAJIV TAKRU
The 1979-batch IAS officer of the Gujarat cadre is now DG of the National Institute of Fashion Technology (NIFT).

VED PRAKASH
The 1987-batch IRAS officer has joined the Ministry of Defence as Director.

SUBRAMANYAM VIJAY KUMAR
The 1976-batch IAS officer of the Himachal Pradesh cadre has become Additional Secretary, Ministry of Mines.

LOKESH CHANDRA
The 1993-batch IAS officer of the Maharashtra cadre has joined the Ministry of Power as Director.

MANOJ DWIVEDI
The 1997-batch IAS officer of the Jammu & Kashmir cadre has become head of the Mata Vaishno Devi Shrine Board.

VIPIN KUMAR SAXENA
The 1985-batch IAS officer of the Orissa cadre has been appointed Chief Vigilance Officer of RITES.

MOVING ON: *ias and ips officers retiring in January 2008*

ASSAM & MEGHALAYA
AK Arora (1974)
Pradip Hazarika (1987)

ANDHRA PRADESH
P Dayachari (1980)

BIHAR
BP Sharma (1993)
BB Pandey (1993)

JAMMU & KASHMIR
Sohan Behari Mathur (1971)
Brinder Raj Singh (1971)

HIMACHAL PRADESH
Ashok Kumar Mohapatra (1971)

HARYANA
Yudvir Singh (1997)

ips

ASSAM-MEGHALAYA
Promode Chetia (1990)

ANDHRA PRADESH
DT Naik (1979)

CHHATTISGARH
Anil Kumar Srivastava (1980)

HARYANA
Resham Singh (1977)

JAMMU & KASHMIR
JA Makhdoomi (1986)

JHARKHAND
Jagat Bandhu Mahapatra (1972)

birthdays

IAS officers' birthdays | Jan 16-Feb 15, '08

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IPS officers' birthdays | Jan 16-Feb 15, '08

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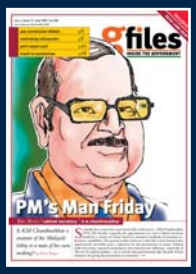

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Lose no sleep over US slowdown

Prime Minister Manmohan Singh cautioned people on the domestic impact of the sub-prime crisis in global financial markets at the National Development Council Meeting on December 19. He said it could affect the country's exports as well as capital flows since our economy is now increasingly integrated into the global economy with the external sector accounting for almost 40 per cent of GDP and we cannot remain fully immune to international developments. Prior to these remarks the markets had plunged by about 1,000 points over concerns that rising inflation in the US would cap further rate cuts there and thus limit the capital flows into emerging markets like India.

The need of the hour is to keep a cool head and play the ball on merit. Returns in general may shrink, good investment opportunities are always available irrespective of Sensex levels

A federal rate cut of 25 basis points on December 11 was already taken into account by the markets. However, the Fed Rate cut, when seen in the context of the US slowdown, could be a good sign for Indian markets especially when the Indian economy is likely to sustain a growth rate of about 9 per cent. The American slowdown could have been dangerous for international markets had it been of serious magnitude. But that doesn't appear to be the case for the latest forecasts of OCED estimate the US growth rate to remain at about 2 per cent for the next year.

Meanwhile, the Index of Industrial Production for April-October 2007 increased by 11.8 per cent as against the market expectation of 11 per cent only. Moreover, India Inc may continue to show robust growth in profits even this fiscal as indicated by the advance tax data released by the Ministry of Finance. The corporate tax collection registered a 42.37 per cent increase during April-December 15 compared to the same period last year. The personal income tax collections (including Fringe Benefit tax etc) have also increased by 42.83 per cent for the same period.

The direction of the equity markets will be difficult to predict. Despite monetary tightening, the fundamentals remain reasonably good. The recent past has witnessed some vigorous capital raising which seems to continue in the new year as well. However, political uncertainty remains the major concern for the markets. Besides, the Sensex P E of around 27 is also a cause of concern as the valuations appear already stretched. Moreover, there is always a possibility that liquidity flows may get stalled because of changing perceptions of overseas investors. The earnings of corporates may also weaken due to reasons such as interest rates, increasing raw material prices, etc.

In these circumstances, investors are advised to adopt a really long-term approach since the short-term scenario can be severely volatile. Investors should stop looking at stock prices every day. And those with nerves of steel can always use major dips in the market as a buying opportunity. The need of the hour is to keep a cool head and play the ball on merit. Though returns in general may shrink, good investment opportunities are always available irrespective of Sensex levels.

Higher volatility often leads to panic reactions by various market participants resulting in inadvertent mistakes. A long-term investor should not be influenced by it, so long as his investment decisions are based on the fundamentals of the company and the general macro environment. Moreover, growth over a period is always higher than one-time gain. Also, frequent sale and purchase always proves costly in terms of missing opportunities as also the expenditure involved in brokerage, STT and other charges. The long-term investor benefits on the taxation front as well if the sale and purchase is planned properly.g

Kulkarni Power Tools (CMP Rs 210)

With the re-rating of the power sector at the bourses, the share prices of most of the power stocks have reached astronomical heights. However, one can still find stocks in this space to give decent returns in the near future. Kulkarni Power Tools (KPT), an ISO 9001, 2000 company, manufactures electric power tools, spares, control motors and blowers. The major customers include Reliance Industries, Larsen & Toubro, Crompton Greaves, Siemens, BHEL and defence establishments. The company also exports its products to West Asia, South Africa and SAARC nations under the brand name of Powermaster. KPT was established in 1976 as a joint venture with Black & Decker of the US.

KULKARNI POWER TOOLS LTD.

The company clocked a net profit of Rs 1.22 cr in the September quarter alone as against a total profit of Rs 2.36 cr for the entire financial year 2007. The EPS for the previous two quarters have been Rs 5.94 and Rs 7.18, respectively. The company has been maintaining consistent growth in its operating margins which stood at 21 per cent with net profit margin being 8.5 per cent. The trailing 12-month EPS of about Rs 20 discounts the current market price of Rs 210 by just 10.5 times. Having a decent payout history with the last dividend of 30 per cent and robust growth prospects of the power sector in which the company is an established player, the stock can prove to be a real multi-bagger. Moreover, with a meagre capital base of just Rs 1.7 cr the company is a potential takeover candidate.

The author has limited exposure to the stocks recommended with a long-term perspective. gfiles does not accept responsibility for investment decisions by readers of this column. Investment-related queries may be sent to gfilesindia@gmail.com with Dr Sood's name in the subject line.

ILLUSTRATIONS: ARUNA

Nitish's policing problems

A 1972-batch IPS officer, Ashish Ranjan Sinha, has been having the time of his life ever since Bihar Governor Buta Singh appointed him Director General of Police in May 2005 during President's Rule. He had earlier probed the Rs 17.5-crore flood relief scam against the Patna District Magistrate. Sinha is the youngest DGP of the state and belongs to the same town – Nalanda – and same caste – Kurmi – as Chief Minister Nitish Kumar.

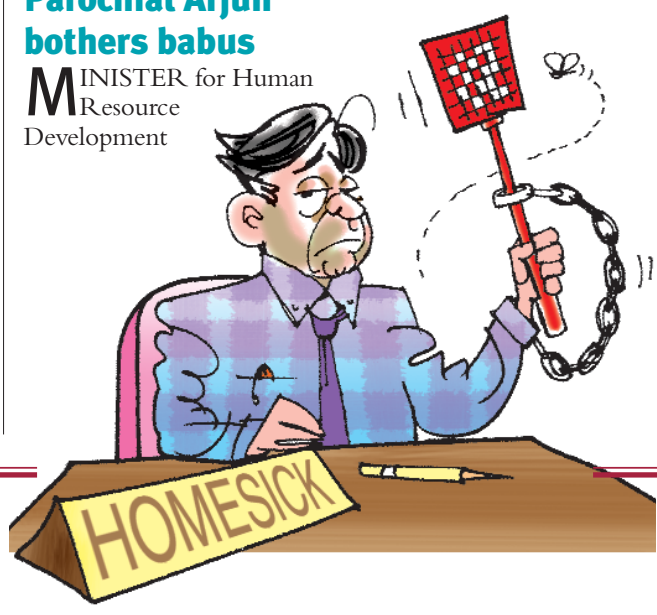
Immediately after assuming charge as DGP, he promised to control the law and order problem in the state within three months. But this was not to be. He was soon accused of fighting with another senior IPS officer of the state, Abhyanand, a Bhumihar acclaimed for coaching poor students for IIT entrance tests free of cost.

As a result, the state's police force became divided along caste lines and the crime rate increased. Since both Kurmis and Bhumihars are Nitish's supporters, the CM did not want to annoy his support base. He found a solution by sending Sinha to Delhi as Director General of the Railway Protection Force (RPF). But Sinha refused to go and ultimately caste considerations prevailed over governance. And MK Sinha, a 1971-batch IPS officer of Bihar, is the new DG of the RPF.

Parochial Arjun bothers babus

MINISTER for Human Resource Development Arjun Singh has a soft corner for civil servants from his home state, Madhya Pradesh. He has invariably imported a team of his favourite mandarins from his state to any ministry he has assumed charge of during his long career. His present stint is no different. After becoming minister in the UPA government, he brought Sudip Banerjee, an IAS officer of Madhya Pradesh cadre (now Chhattisgarh), into Shastri Bhawan as Secretary in his Ministry.

Banerjee extended patronage to all other junior officers in the Ministry from his state, at the cost of officers from other states. And Joint Secretary Sunil Kumar of the Chhattisgarh cadre called the shots in the ministry. Now that Banerjee has retired and the next Secretary, RP Aggarwal, belongs to the Andhra Pradesh cadre, Kumar has been reduced to a virtual nobody without any work. Aggarwal is considered tough and not the type to favour anybody on cadre considerations. And Kumar is now desperate to get back to his state but no one is coming to his rescue.



Dasmunsi keeps DD in doldrums

THE professional versus *babu* battle at Doordarshan shows no signs of ending. Ever since the greenhorn Chief Executive Officer, BS Lalli, joined Prasar Bharati, he had tried every trick in the book to dislodge the widely respected Director General of Doordarshan, LD Mandloi, but failed.

However, Lalli's day was made when Minister for Information & Broadcasting PR Dasmunsi, who had remained neutral for long, suddenly decided to step in. He chose to install the Deputy Director General of Doordarshan, Ashok Jailkhani, as acting DG even while Mandloi was DG.

But the Minister's decision has cooked up a storm in Doordarshan and many theories are afloat about his move. The most proffered is that the Ministry has been given a huge budget of Rs 475 crore to make and telecast programmes for the Delhi Commonwealth Games in 2010. With Mandloi in the seat till then, it would not have been possible to favour certain producers. g

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